

Raising finance

'A bank is a place that will lend you money if you can prove that you don't need it.'
 Bob Hope (1903–2003), American comedian

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STARTING UP

A What are the advantages and disadvantages for a private individual of borrowing money from these sources?

- | | |
|-------------------------|---------------------------|
| 1 a bank | 4 a member of your family |
| 2 a friend or colleague | 5 a pawnbroker |
| 3 a loan shark | 6 a credit-card company |

B In what situations might someone use the sources of finance mentioned in Exercise A?

EXAMPLE: *A loan shark if you have a poor credit rating*

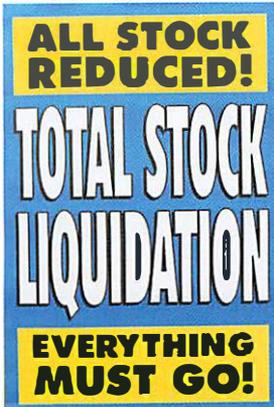
C What do you think these sayings mean? Do you agree with them?

- 1 Money talks.
- 2 Don't put all your eggs in one basket.
- 3 You have to speculate to accumulate.
- 4 Don't throw good money after bad.
- 5 Lend your money and lose a friend.
- 6 Out of debt, out of danger.
- 7 He who pays the piper calls the tune.
- 8 Beggars can't be choosers.

D What would you like to raise money for, and how would you do it?

VOCABULARY

Financial terms

**A Choose the correct word to complete each sentence.**

- 1 Customers not paying on time often leads to problems.
a) cashflow b) equity c) asset
- 2 Our state-of-the art machinery is our major
a) possession b) asset c) equity
- 3 The rate on the loan was 12%.
a) fee b) charge c) interest
- 4 They could not pay their debts and faced
a) bankruptcy b) warranty c) overpayment
- 5 Sorbat has gone into with debts of about £20 million.
a) indemnity b) investment c) administration
- 6 The finance a company raises from issuing shares rather than taking out loans is known as capital.
a) equity b) dividend c) stock
- 7 The is the original amount of a loan not including any interest charged.
a) instalment b) principal c) subsidy
- 8 A/An is a particular type of loan for the purchase of property.
a) credit b) overdraft c) mortgage
- 9 If a company defaults on a loan, it means they miss a/an
a) budget b) instalment c) collateral
- 10 Money lent to start-up businesses is known as risk or capital.
a) share b) venture c) working

B Choose the correct words to complete each definition.

- 1 Being in the *red* (~~black~~) means you are in credit.
- 2 A *loan* / *grant* is money which doesn't need to be repaid.
- 3 A *creditor* / *debtor* owes money.
- 4 An *interest* / A *dividend* payment is part of a profit paid to shareholders.
- 5 *Assets* / *Liabilities* are the total amounts of money owed by a business.
- 6 An *overdraft* / A *return* is the amount of profit made on an investment.
- 7 To go into *liquidation* / *debt* is when a company stops operating because of financial difficulties.
- 8 A *deposit* / *Collateral* is security for a loan in the form of assets which could be sold if the debt is unpaid.

C Discuss these statements.

- 1 Leasing machinery, vehicles, etc. makes more financial sense than buying them.
- 2 There should be more controls on access to credit.
- 3 Expanding fast means going into debt.
- 4 Declaring bankruptcy is a useful tool for clearing debts and starting again.
- 5 It is good practice to pay suppliers as late as possible and maximise any credit terms.
- 6 A successful business shouldn't need to raise a lot of finance.

See the DVD-ROM
for the i-Glossary.



LISTENING

Ways to raise money



Simon Davies

Watch the interview on the DVD-ROM.



A CD3.1 Simon Davies is Managing Director (Restructuring) at the Blackstone Group, a leading private equity firm. Listen to the first part of the interview and answer these questions.

- Which three ways of raising finance does he mention?
- What are the advantages of:
 - private markets?
 - public markets?
 - borrowing money?

B CD3.2 Listen to the second part and answer this question.

What are the disadvantages of:

- shares/equity?
- debt?
- public markets?
- private markets?

C CD3.3 Listen to the final part. Simon says there are four reasons why finance has become a short-term business. What are they?

D In groups, discuss what you think about Warren Buffet's fund.

READING

Finding finance

A How can start-up companies raise money?

B Work in small groups. Before you read the article, check that you know the meanings of these terms. Use a dictionary if necessary.

- business angels
- bank finance
- equity finance
- debt fundraising
- venture capital funds

C Work in pairs. Take notes on the key points of the article. Tell your partner about them and ask each other questions if you want clarification.

Student A: Read the first half of the text up to line 57.

Student B: Read the second half of the text from line 58 to the end.

D Read the whole article and answer these questions in pairs.

- What was the problem with some of the 'angel' networking clubs?
- What was the advantage of London Business Angels?
- How did Saha improve her ability to pitch to backers?
- Who finally invested in Saha's company?
- What is the problem with bank finance?
- What is the position with debt funding and equity finance?
- What is the problem with venture capital funds?

E Find idioms in the first six paragraphs that mean the following.

- finish something you have started
- a sudden or unexpected chance to do something that allows you to become successful in your job
- reduce your chances of failure or loss by trying several possibilities instead of one
- make sure you always know what is happening in a situation

F Complete these sentences with the idioms in Exercise E.

- 1 Do you think Isabella will this time?
- 2 There are hundreds of young musicians out there looking for a
- 3 It's a good idea to by applying to more than one MBA programme.
- 4 for information about the next fundraising event.

G Discuss these questions.

- 1 What questions would you ask Saha if you were an investor?
- 2 If you were setting up a business in your country, how would you raise the finance?

FT

No more easy money

by Jonathan Moules

Ambitious entrepreneurs are prepared to go the distance to get financial backing for their bright ideas. Sanchita Saha, founder of CitySocialising, a website to help people make new friends after relocating, travelled all the way to southern France.

This was not as pleasant an experience as it might seem. Once there, she spent months pitching to hundreds of potential investors to no avail, only to get a lucky break at the end.

First, she looked into 'angel' networking clubs, which provide entrepreneurs with access to large numbers of wealthy individuals interested in investing in early-stage ventures. However, she turned down a number of these for reasons of cost: they were charging £1,500 (\$2,488) just to submit a business plan.

Eventually, she settled on London Business Angels, through which she could pitch to roughly 100 'angels'.

She also hedged her bets by securing a place on gateway2investment (g2i), a four-day programme to help ambitious entrepreneurs hone their pitching techniques, delivered by financial advisers Grant Thornton and backed by the London Development Agency.

'A lot of it is about networking – finding out who to talk to, who can help you, and keeping your ears to the ground,' she says.

Through LBA, Saha discovered a third scheme, called the European Border Investment Programme, which was running its own event in Nice.

Although it was a risk, she booked herself on a flight and found herself



pitching to another couple of hundred investors from across the European Union. Among those were a couple of Finnish investors who, together with five wealthy individuals at LBA, agreed to back Saha's business with a combined investment of £300,000.

Her work was not yet done, however, as she had to bring the disparate team together to form a syndicate with a lead investor, who would then become CitySocialising's Chairman.

'It was hard work and very stressful,' Saha admits. However, she is also one of the lucky ones.

Access to finance remains difficult for all sorts of companies, whether they are looking for rich individuals to take equity stakes, debt or venture capital.

Although bank finance is easier to get hold of than it was a year ago, the costs remain stubbornly high.

The latest quarterly research by the Federation of Small Businesses (FSB) found more than three-quarters of companies had seen the cost of their existing finance increase by up

to 5 percentage points above the Bank of England's base rate.

Two-thirds of those in the FSB survey decided not to seek credit at the moment, which could suggest they are fearful of the cost.

The good news for start-ups is that the banks seem happier to lend to them, according to Stephen Alambritis at the FSB. 'That is a fresh approach,' he says.

Victoria Weisener, Programme Manager at g2i, is less optimistic about debt fundraising. 'What you hear is still the same: that people are lending, but we are not seeing any of that coming through,' she says.

She is similarly pessimistic about equity finance. 'While no one will say they are not actively investing, it is still pretty difficult to raise funds,' she says. 'Most of the activity is with business angels.'

Raising equity finance through venture capital funds is possible, but it is taking about twice as long as before the recession struck, according to Simon Cook, Chief Executive of venture capital firm DFJ Esprit, which has invested in some of Europe's most successful technology start-ups. In the past, both FeedBurner, the web-feed management system, and Skype, the Internet telephony service, have received backing from Cook's firm.

'Fundraising is taking longer and is slower, but funds are being raised,' he says.

LANGUAGE REVIEW

Dependent prepositions

Prepositions commonly occur after certain verbs, adjectives and nouns. Look at these examples from the article on page 85.

verbs	adjectives	nouns
DFJ Esprit has invested in technology start-ups.	They are fearful of the cost.	Access to finance ...
She spent months pitching to hundreds of investors.	She is less optimistic about debt fundraising.	Saha, founder of CitySocialising, ...

➔ Grammar reference page 150

A Complete the extract from the article with suitable words and dependent prepositions from the box. Then look back to page 85 to check your answers.

access to investing in looked into pitch to settled on turned down

First, she¹ 'angel' networking clubs, which provide entrepreneurs with² large numbers of wealthy individuals interested in³ early-stage ventures. However, she⁴ a number of these for reasons of cost: they were charging £1,500 (\$2,488) just to submit a business plan.

Eventually, she⁵ London Business Angels, through which she could⁶ roughly 100 'angels'.

B Study the Grammar reference on page 150, then match these halves of sentences. They are all from newspaper articles or headlines.

- | | |
|---|--|
| 1 EFM, the struggling investment house, yesterday became vulnerable | a) for Dubai World's debt problems. |
| 2 The government refuses to take responsibility | b) to the major publishing houses? |
| 3 Deputy Prime Minister invites Japan to invest | c) to takeover bids. |
| 4 Does Lulu.com pose a serious threat | d) on being paid the interest on the loan. |
| 5 She is going to complain | e) to angel investors, venture firms and other private equity investors. |
| 6 The banks insisted | f) in high-tech sector. |
| 7 Our programme offers access | g) of providing both financial and strategic direction. |
| 8 The new Director of Finance must be capable | h) about her solicitor. |
| 9 Teenagers need to develop a healthy respect | i) of their responsibilities. |
| 10 All financial supervisors should be fully aware | j) for money from an early age. |

SKILLS

Negotiating

A Which of these negotiating tips do you agree with? Why? / Why not?

- In the early stages, you need to ask the other side a lot of questions.
- Always interrupt if you don't understand something.
- Never make a concession for free. Always get something in return.
- Use simple, direct language and be open about your aims.
- Signal what you are going to do. For example, say, 'I'd just like to clarify that.'
- Summarise often so that everyone is clear when you reach agreement.
- Adapt your language so that you don't appear aggressive.
- Talk about your emotions and how you are feeling.

B Research shows that skilled negotiators often use the techniques listed below to achieve their negotiating objective. Match the techniques (1–5) to their definitions (a–e).

- | | |
|----------------------|---|
| 1 Open questions | a) say what you are going to do before you do it. |
| 2 Closed questions | b) modify language so that it does not appear too aggressive. |
| 3 Softening phrases | c) go over the points covered to highlight when agreement is reached. |
| 4 Signalling phrases | d) gather information and explore the opposite number's views. |
| 5 Summarising | e) check understanding and ask for precise information. |

C  CD3.4 Listen to five expressions and match each one to the correct technique in Exercise B.

D  CD3.5 Listen to the dialogue and complete these expressions. Then place each expression under the correct heading in the Useful language box below.

- Could I ask you, what other people are for you?
- Have you any other bank, if I may ask?
- I'd like to make a Why don't you revise your business plan?
- Good. Could I ask what sort of you have in mind?
- what the money's for. The 250,000 would be for working capital ...
- We seem to be getting somewhere now. Let me what we've agreed so far ...



E Work in pairs. Role-play this situation.

The manufacturer of a range of high-quality herbal tea products, sold under the brand name Quality Leaf, meets a business angel to get additional investment to develop its business. The business owner has already borrowed €100,000 from a family member, and in return has given that person a 5% stake in the business.

Student A: Turn to page 137.
Student B: Turn to page 139.

USEFUL LANGUAGE

OPEN QUESTIONS

- Why do you need a loan?
- What other sources of finance do you have?
- What did you have in mind?

SIGNALLING PHRASES

- I'd like to make a proposal. I think we should ...
- Could I make a suggestion: why don't we ... ?
- Let's look at this another way.

CLOSED QUESTIONS

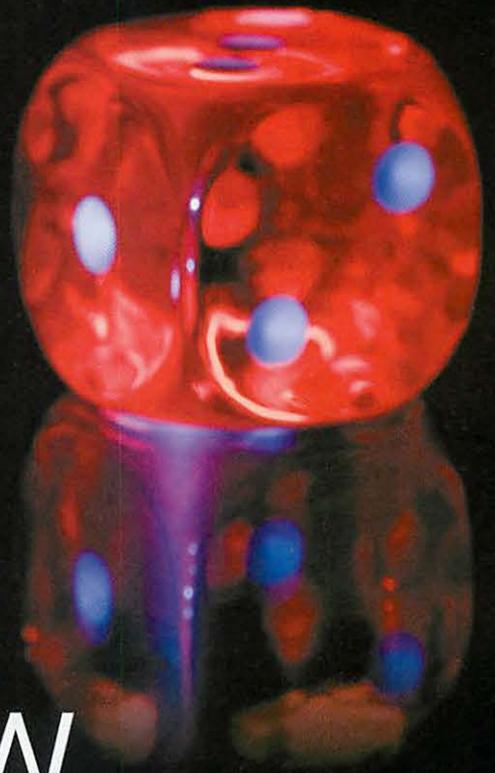
- Do you have any other backers?
- Can you transfer the money by next week?
- Could you improve your credit terms?

SUMMARISING

- Let's see what we've got so far.
- Let's recap before we go on to ...
- So, to sum up, ...

SOFTENING PHRASES

- I'm sorry, we can't go that high.
- We were hoping to pay a little less.
- That seems very expensive



Last throw of the dice

A talented team of filmmakers needs finance for their first feature film. Can they negotiate the right terms from an established distributor?

Background

Charles Williams and Gunnar Larsson met on a film-studies course in Paris. After graduating, they formed a company and produced short films for television which won awards at international film festivals. They then decided to make a feature film. They produced a business plan for their project, then looked for an independent distributor to finance their low-budget film.

Read this extract from their business plan summarising the concept of their film. What sources do you think they will use to get the finance?

Executive summary

This proposal is for a feature film shot on digital video. Its running time will be 110 minutes. There will be a four-month shooting schedule and six weeks of editing. The budget for the film is 1.2 million euros. A total of 200,000 euros has already been raised from family and friends.

All for one is the story of three women in Paris. They are in their late twenties and of different nationalities. They become great friends, go out together, talk about their experiences and get advice from each other. The film focuses on their difficulties adapting to French culture and on their complex relationships with the men in their lives. There will be a bitter-sweet ending to the film, but the final scene will highlight the strength of their friendship, which helps them to overcome their problems.

Financing the film

Getting finance for the film has been very difficult. However, at the last moment, an independent film distributor, Concordia, expressed interest in their concept. Charles and Gunnar sent their business plan to Concordia and arranged to have a meeting with them. At the same time, Charles's father e-mailed them to say that he had sent their business plan to a well-known distributor in the US.

If Concordia agree to finance the project, what do you think will be the financial terms they offer? What will they expect to get in return for their investment?

Here are some extracts from the business plan.

Target audience

20–40-year-olds. Frequent film-goers who enjoy sophisticated films, witty dialogue and the complexities of human relationships. Older people should also enjoy the film.

Target market

Initially European countries, but eventually worldwide distribution

Promotion

The film will be shown at European film festivals (Cannes, Berlin) and also at the prestigious Sundance Festival in the US. There will be other marketing initiatives at the launch and during the distribution of the film.

Production schedule

- Pre-production: one month
- Production: four months
- Post-production: six weeks
- Release of the film *All for one* in Europe: in nine months' time

Three-year income projection summary (gross revenues)

- Low: 15 million euros
 - Medium: 20 million euros
 - High: 40–60 million euros*
- * Depends on US distribution

Reasons why *All for one* will appeal to audiences

- Outstanding script (Gunnar Larsson) and brilliant director (Charles Williams)
- Fascinating storyline
- Original film score by Gunnar Larsson
- Cross-cultural appeal of the main characters and situations
- Dramatic tension
- High-quality photography
- Paris location

Task

Work in two groups. The filmmakers are going to negotiate with the distributors.

Group A (the two filmmakers):

Turn to page 137.

Group B (Directors of Concordia):

Turn to page 144.

- 1 Read your role cards and prepare for the negotiation.
- 2 Hold a meeting and negotiate a draft agreement.

- 3  **CD3.6** At the end of the meeting, Charles's father phones from the United States. He has some interesting news for the filmmakers and Concordia. His call is heard by both sides in Concordia's office. Decide whether you want to revise the terms of your draft agreement in the light of the news you've just heard.

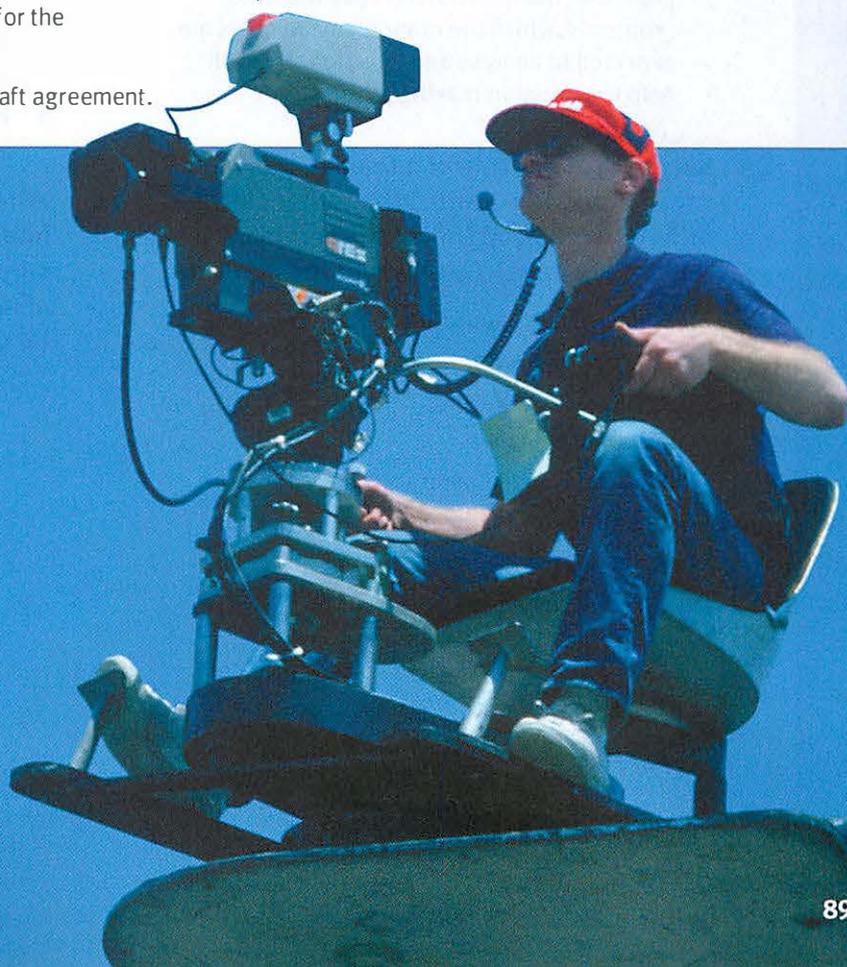
Watch the Case study commentary on the **DVD-ROM**.



Writing

As Director of the film or as Chief Executive of Concordia, write a summary of the points you agreed during the negotiation and indicating how the project will proceed.

→ Writing file page 129



3 Managing international teams

A Discuss these questions.

- 1 Think about a team you have been a member of. Was it successful? Why? / Why not?
- 2 What do you understand by an 'international' team?
- 3 Have you ever been a member of an international team, or do you know of one? If so, how well did the team work together?

B Which of these descriptions of the role of a team leader do you most agree with? Explain your ideas.

The team leader is someone who:

- 1 has a charismatic personality. They are not only able to do their job well, but can get other team members to follow them. Their skills enable them to get the best from the rest of the team.
- 2 is an older person and is therefore greatly respected. Their role is to collect information from the other team members and from outside, to consider options and then to make decisions.
- 3 is simply the boss. They will provide clear instructions and directions for team members. They are there to make decisions, which could be right or wrong but which they must make. It's what they are paid for.
- 4 is the most competent person, but no more important than the others. They will make proposals, which the other team members are expected to analyse and question. This will help the decision-making process.

C Ideas about the role of a team leader vary from culture to culture. What other cultural differences do you think international teams may have? Think about these points.

- methods of communication
- motivation and rewards
- ways of problem-solving
- sharing knowledge
- the role or use of humour
- the purpose/role of meetings
- job titles / position
- social behaviour

D CD3.7, 3.8, 3.9 Listen to all three parts of a radio programme and answer these questions.

- 1 Which of the topics in Exercise C do the experts talk about?
- 2 Which do they think is the most interesting?

E CD3.7 Listen to the first part again and answer these questions.

- 1 What types of international team are identified?
- 2 What expectations of a team leader are discussed?
- 3 Why is praising an individual team member not always a good idea?

F CD3.8 Listen to the second part again and take notes to answer this question.

How are attitudes to sharing knowledge different for:

- a) individual cultures?
- b) collective cultures?
- c) mutual debt cultures?

G CD3.9 Listen to the final part again and answer these questions.

- 1 In what ways can meetings cause problems?
- 2 What social factors are mentioned?
- 3 Why is a handshake important?

What is the most interesting or surprising piece of information for you?

Task

You work for a leading mobile phone company based in Amsterdam in the Netherlands. The working language of the company is English. You are managers in charge of setting up an international team of 12 people who are based all over the world. The team will be working on a major project lasting three years, building and testing a new network for the company's next generation of products. In the past, there have been both cultural and teamworking problems in project teams set up by the company. A meeting has been called with fellow managers to agree the way the team will work.

Work in groups of four. Turn to the correct page and study your role card. Look at the agenda below and prepare for the meeting.

Manager A: Turn to page 139. Manager C: Turn to page 143.

Manager B: Turn to page 137. Manager D: Turn to page 135.

Hold the meeting. Discuss the items on the agenda below and come up with recommendations.

Write a list of tips for managing or working in international teams.

AGENDA

- 1 The team leader and his/her role
- 2 The role of meetings
- 3 Communication between team members
- 4 Rewards and bonuses
- 5 Cultural training programmes
- 6 AOB



7 Management styles

VOCABULARY

1 Complete this table.

adjective	negative adjective	noun
considerate	.....¹	.....²
..... ³	incompetent	.....⁴
..... ⁵	.....⁶	creativity
diplomatic	.....⁷	.....⁸
..... ⁹	indecisive	.....¹⁰
..... ¹¹	.....¹²	flexibility
inspiring	.....¹³	.....¹⁴
..... ¹⁵	illogical	.....¹⁶
..... ¹⁷	.....¹⁸	loyalty
organised	.....¹⁹	.....²⁰
..... ²¹	inefficient	.....²²
..... ²³	.....²⁴	responsibility
sociable	.....²⁵	.....²⁶
..... ²⁷	unsupportive	.....²⁸

2 Choose the best word to complete each sentence.

- Byron makes all the decisions himself. He's not at all *autocratic* / *collaborative*.
- Melanie is really *people-orientated* / *controlling*. She's a very good listener, and I think she really enjoys the social side of work.
- Pete has a *centralising* / *laissez-faire* management style. He doesn't make all of the decisions, but everything that happens in the office crosses his desk.
- Alberto's real strength is that he's *directive* / *task-orientated*. He loves scheduling, organising and completing a job.
- Leyla's a *hands-on* / *empowering* manager. She doesn't just tell people what to do, she really gets involved in the work.
- Andre's *delegating* / *democratic* style means that when we have meetings, he really listens to everyone's opinion. Consensus is very important to him.

TEXT REFERENCE

Complete the e-mail below with the pronouns in the box.

he it the one them they we

Dear Mika,
¹'s 10 p.m., but I'm still in the office. Mr Chang is in New York today, and
² asked me to help him finish his two PowerPoint presentations. He wants
 to show³ to the New York team first thing tomorrow morning when⁴
 start work.
 Do you remember Dr Jarvis? He was⁵ who invited Mr Chang to come to New
 York. He's there, and he said if the project goes well,⁶ can all expect a rise!
 I'd better get back to work.
 Irving

SKILLS

Match the sentence halves.

- | | |
|--------------------------------|--|
| 1 Let me give | a) us an edge over the competition. |
| 2 OK, now I'll talk | b) you an example. |
| 3 It will give | c) to highlight last year's figures. |
| 4 The consequence | d) to the slide. |
| 5 Let's look | e) about the budget. |
| 6 Let me draw your attention | f) of this is an increase in price. |
| 7 The purpose of my talk today | g) at the chart. |
| 8 I'd just like | h) is to explain our new sales campaign. |

VOCABULARY

8 Team building

Complete the sentences below using the prefixes in the box.

bi	dis	hyper	mis	multi	post-	pre-	pro-
----	-----	-------	-----	-------	-------	------	------

- The electricity was off yesterday morning. Workersconnected it to make some repairs.
- Before the conference, we had aevent party with a light meal and drinks.
- Malcolm's company has offices in Luxembourg, Madrid and Paris, so he's veryEuropean in his thinking.
- I'm afraid there's a realmatch between your salary expectations and what we can afford to pay you.
- After we did the role play, we had aactivity discussion to talk about what we'd learned.
- We're very happy that both sides feel the same way. Thislateral agreement will make it easy to move ahead.
- With workers from 27 different nations, our company is trulycultural.
- If you go to our website, you'll see that our list of distributors islinked to each company's website.

SKILLS

- What's really bothering you?
- Well, one thing you could do is offer to help him.
- I know how you feel. We've put a lot of work into it.
- OK, good. You talk to Anita, and let's meet tomorrow and see how things are going.
- It might be worth asking Anita, then.
- What's the best approach, do you think?

Complete this conversation with the sentences on the left.

- Brad I'm worried about the sales conference next week.
- Ana¹
- Brad Yes, we have. But we're used to hard work. That's not really what I'm worried about.
- Ana²
- Brad My main concern is Nick. What really worries me is that he still hasn't prepared his presentation. Everyone else has shared their PowerPoint shows and done a practice presentation, but we have nothing from Nick.
- Ana³
- Brad That's the problem. I really don't know what to do.
- Ana⁴
- Brad I don't think that would do much good. I'm afraid Nick is still upset that I was promoted and he wasn't.
- Ana⁵
- Brad Mmm. I think that's the right approach to take. Nick really trusts Anita.
- Ana⁶

WRITING

Write a positive, encouraging e-mail of 100–120 words from Ana to Nick based on the conversation in Skills on page 93.

- Remind him about the conference.
- Remind him of the work his colleagues have already done.
- Offer encouragement and specific help.

VOCABULARY

9 Raising finance

1 Match the sentence halves.

- | | |
|---|---------------------------------------|
| 1 A major client is late paying, so we have | a) administration. |
| 2 Every month, we pay | b) mortgage on it. |
| 3 We're trying to raise | c) an instalment of our loan. |
| 4 Our main shop has a €200,000 | d) asset. |
| 5 We're paying a 4% | e) interest rate on our loan. |
| 6 We'll declare | f) some venture capital to start our |
| 7 If the business fails, it will go into | new business. |
| 8 Our town-centre location is a real | g) bankruptcy if we run out of money. |
| | h) a cashflow problem. |

2 Circle the odd expression out in each group.

- in the red in the black in credit assets
- a loan a debtor a grant an overdraft
- liabilities debts costs collateral
- a creditor an interest payment a dividend payment a deposit

DEPENDENT
PREPOSITIONSComplete these sentences with *to*, *for*, *of*, *about* or *in*.

- We have a lot of overseas sales, so we're vulnerable..... exchange-rate fluctuations.
- Do you have access..... the online database?
- If there's a safety problem, we'll take responsibility..... it.
- Times are hard now, but I'm optimistic..... the future.
- We're capable..... filling large orders in a short period of time.
- Mr Iqbal was the founder..... the company back in 1889.
- Rising oil prices pose a threat..... low-cost transport.
- We need to complain..... the quality-control problem. The stuff they've been sending us isn't good enough.
- If we pitch..... serious athletes, the product will also appeal to people who wear athletic clothes for fashion.
- We invest..... our employees because we believe that people are our greatest asset.

SKILLS

Complete the text below with the words in the box.

aggressive closed open signalling softening summarising

Skilled negotiators often use several techniques to achieve their negotiating objectives. They use¹ phrases such as *I'm sorry, but ...* and *we were hoping ...* to modify language so that it doesn't sound too². They also use two types of question.³ questions gather information and explore the opposite number's views, while⁴ questions check understanding and ask for precise information. Phrases such as *I'd like to make a proposal* are called⁵ phrases. Skilled negotiators use them to say what they're going to do before they do it. Finally, skilled negotiators usually use⁶ phrases to highlight when agreement is reached, for example: *Let's recap before we go on.*

Cultures 3: Managing international teams

1 Read these opinions about managing team dynamics. Tick the culture type(s) in which you would expect to see the dynamic operating. Some dynamics appear in more than one culture type.

team dynamics	general culture type		
	individual	collective	mutual debt
1 Praising a member of my team is the best way to motivate them.			
2 I often ask a colleague for help, even if I don't need it. It helps build team spirit.			
3 I share knowledge and information only on a 'need-to-know' basis.			
4 I prefer to ask a colleague for help rather than go to the boss.			
5 If someone helps me, I try to find a way to help them in return.			
6 Knowledge confirms status, it's as simple as that.			
7 I praise my whole team for successes and equally, we all share any blame for failures.			
8 In my team, we share knowledge because that's good for everyone.			

2 Choose the best word to complete each sentence.

- Some team members may expect tasks to be very clearly set out by the manager or team leader, while others expect to use their own *initiative / empowerment*.
- Team members from different cultures will have *expectations / plans* about the number and purpose of meetings.
- Because of time-zone differences, *scheduling / writing minutes of* virtual meetings can be difficult.
- When teams meet *virtually / face to face*, body language, dress and manners become very important.
- A firm handshake can have different *connotations / challenges* in different cultures.
- In some *cultures / people*, team meetings are simply for planning.

VOCABULARY

A Complete each sentence with the best word from the box.

mortgage administration assets ~~venture~~ business angel cash flow grants instalments overdraft stake bankruptcy principal

- 1 Venture capital is a general term for money that is lent to someone when they start a business.
- 2 Customers not paying bills on time caused a major problem.
- 3 Repayment of the loan will be in ten at three-month intervals.
- 4 Surprisingly, BLT Inc. is selling off its 30% in Kommerz Bank.
- 5 The manager said it would be a disaster if the club were to be wound up rather than stay in, as the players would go out of contract.
- 6 The EU often awards development to its poorer members.
- 7 The is the original amount of a loan, excluding any interest.
- 8 We often reached our limit because of cash flow problems.
- 9 Their company has of £70 million and liabilities of £40 million.
- 10 They were in arrears with their, so their home was repossessed.
- 11 Unless the situation improves dramatically, our company will be forced to file for
- 12 We offered the a 10% share in the profits and a seat on the board of directors.

B Choose the best word (a, b or c) to complete each space in the article.

Sources of finance

What do you need to consider when choosing the source of new business finance?

A key consideration is to strike a balance between equity¹ and debt to ensure the funding structure suits the business.

The main differences between borrowed money (debt) and equity are that, with debt, bankers request² payments and capital repayments, and the borrowed money is usually secured on business assets or the personal assets of the³ and/or directors. A bank also has the power to place a business into⁴ or bankruptcy if it⁵ on debt interest or repayments or its prospects decline.

In contrast,⁶ investors take the risk of failure like other shareholders, whilst they will benefit from participation in increasing levels of⁷ and on the eventual sale of their equity⁸.

The overall objective in raising finance for a company is to avoid exposing the business to excessively high borrowings, but without unnecessarily diluting the⁹ capital. This will ensure that the financial risk of the company is kept at an optimal level.

- | | | |
|-------------------|------------------|-------------------|
| 1 a) stake | b) equity | c) capital |
| 2 a) interest | b) loan | c) cash flow |
| 3 a) creditors | b) shareholders | c) bankers |
| 4 a) registration | b) accreditation | c) administration |
| 5 a) depends | b) deposits | c) defaults |
| 6 a) equity | b) stake | c) venture |
| 7 a) assets | b) profits | c) funds |
| 8 a) mortgage | b) loan | c) stake |
| 9 a) share | b) rate | c) asset |

LANGUAGE REVIEW
Dependent prepositions

A Indicate where the missing prepositions belong.

- | | |
|--|-------------------------------|
| 1 The markets are suspicious <i>of</i> the system's lack of transparency and banks have lost some of their influence <i>in</i> corporations. | a) of
b) over |
| 2 There is fierce competition in the growing market high-speed Internet access. | c) for |
| 3 Some executives involved the deal argue that the competition authorities are intimidated by the complexity the issue. | d) in
e) of |
| 4 They all agreed that weak management was largely to blame the downfall the company. | f) for
g) of |
| 5 As the company had thrived rising property prices, so it suffered when they began to fall. | h) on |
| 6 Public protests the cost of energy, as well as worries the impact business and inflation, are forcing governments to think hard about what their response should be. | i) about
j) about
k) on |

B Complete the two texts with the prepositions given in the boxes.

NEWS DIGEST

Kersta said yesterday it had entered *into*¹ exclusive talks with Lindcom for the sale of Deltelfone.
Kersta acquired Deltelfone earlier in January and said then that it would dispose *of*² the business.
Analysts say a flotation of 49.9 per cent of the business, which was scheduled *for*³ April if an agreement could not be reached *in*⁴ a trade sale, would probably have valued Deltelfone at 7-10bn euros.
Kersta refused to comment *on*⁵ the size of the bid.
The takeover of Deltelfone by Lindcom would certainly create potential *for*⁶ rationalisation.

for for ~~into~~ of on on

One of the largest carmakers is considering permanent reductions *in*⁷ list prices.
The proposal follows a spate of discounting by smaller rivals and the introduction of the government order aimed *at*⁸ opening up the new car market.
Executives are studying how such a price initiative would impact *on*⁹ its fleet customers, who benefit *from*¹⁰ discounts based on recommended retail prices.
Any cut *in*¹¹ list prices would almost certainly force copycat action by other companies.
Carmakers have until December to comply *with*¹² the government order on car pricing.

at from in in on with

C Insert the missing preposition in each sentence.

- 1 Although the traditional approach had its strengths, it became an excuse *for* avoiding the structural reforms the country needed.
- 2 The engineering company KNG first hinted a share buyback last month.
- 3 Such buybacks are rarely implemented, although many companies have sought permission them.
- 4 The CEO said the company would concentrate medium-sized acquisitions.
- 5 KNG's international division accounts just 23% of sales.
- 6 Several governments insisted creating specific safeguard rules allowing them to block Chinese imports.

WRITING
Emphasising

A Match these sentence halves.

- | | |
|--|---|
| 1 Rarely do banks agree | a) had requested a massive loan. |
| 2 Not once did he tell them he | b) becoming very dependent on lenders. |
| 3 Never before have so many people | c) take out a loan if you know you can't afford the repayments. |
| 4 Under no circumstances should we | d) asked for a loan for cosmetic surgery. |
| 5 On no account should you | e) to arrange loans over the telephone. |
| 6 At no time in the history of their company did they end up | f) extend their credit. |

B Cross out the two incorrect explanations.

A special word order is used in the six sentences in exercise A in order to

- a) express time relations b) add emphasis c) sound more informal

Editing **C** Read this short text about European tax havens.

In most of the lines 1–15 there is **one extra word** which does not fit. Some lines, however, are correct.

If a line is correct, put a tick (✓) on the appropriate line.

If there is an extra word in the line, write that word in the space provided.

Banks and other financial institutions with offshore bases in low-tax territories have begun writing to their clients for making them aware of a little-publicised European Union savings directive, expected to come into force in July.

Under the directive, financial institutions and in EU member states will be required to hand over to the relevant tax authority an information about savings income received by EU individuals not resident in the country where the account is held. The information will be handed to the tax authority where the account of holder is resident even so that it can be compared with what has been declared on their domestic tax returns.

Payments affected include interest on bonds, savings of certificates, term deposits, current accounts and savings accounts. Other types of income, including company dividends, pensions and rents are not considered to be the savings income.

The Inland Revenue says the directive – which may only applies to individuals and not companies and most trusts – will have any little impact on those who legitimately declare their savings income received outside the UK.

- 1 ✓
- 2 for
- 3
- 4
- 5
- 6
- 7
- 8
- 9
- 10
- 11
- 12
- 13
- 14
- 15



Requesting
payment

D Complete each space in this fax requesting payment of an overdue invoice with the correct form of a verb from the box.

arrange assume have make ~~regret~~ remind

Adria Wines

10 Trg Nikole Tesle
81 000 Podgorica
Montenegro

FACSIMILE NUMBER: ++381 81 642 254

Message for: **Ghislain Debacker, Vins & Liqueurs**
Address: 147 rue d'Assaut - 1040 Brussels - Belgium
Fax number: +322 689 98675
From: Zoran Lekic, Adria Wines
Date: 30 November
Number of pages including this page: TWO

Dear Mr Debacker,
 We¹ **regret** to have to² you that payment of the following invoice is now 30 days overdue.

As we never³ occasion to send you a reminder before, we⁴ that this is just an oversight on your part.

Could you please⁵ for payment to be⁶ within a week.

Yours sincerely,



Z. Lekic,
Credit Controller

PAGE 1 OF 2

Invoice no. GDB\00\06
Customer no. GDB-75
Date 1 October

Item:	No:	Units:	Price per unit:	Total:
Vranac Quality Red Wine	PG-34A	200	€4	€800
Krstac Superior White Wine	PG-K55	100	€3.5	€350

Grand Total: €1,150

PAGE 2 OF 2

E Use the following notes to write Mr Debacker's reply to Mr Lekic.

- acknowledge receipt of fax
- order incomplete (only the white has arrived)
- waiting for rest of delivery
- full payment as soon as all goods are received
- prompt delivery essential as end of the year is approaching

WILLING AND LESS WILLING LENDERS

Before you read

If you had an idea for a business start-up, where would you go for finance?

Reading

Read this article from the *Financial Times* by Brian Groom and Jonathan Guthrie and do the exercises that follow.

FT

LEVEL OF DIFFICULTY ● ● ○

Small businesses and the banks

by Brian Groom and Jonathan Guthrie

The frosty relationship between business and banks over credit is at last showing tentative signs of a thaw. Business leaders warn, however, that bankruptcies could rise sharply in the next 12 months unless sufficient finance is available, especially for smaller companies, while banks say companies must overcome their reluctance to borrow.

The EEF manufacturers' organisation reports on Monday an easing of credit conditions for the first time in more than a year. In a survey of 410 manufacturers, 33 per cent said the cost of finance had increased in the past two months – down from 47 per cent in the third quarter. Just one in five reported a decline in availability of new borrowing, down from one in three.

Annika Bosanquet has been struggling to raise finance to fulfil orders worth more than £200,000. The founder of upmarket packaging company Wrapology, which has cli-

ents such as Harrods and Armani, first approached HSBC for a letter of credit this summer but she was turned down. The bank also declined to support a loan via the government's Enterprise Finance Guarantee scheme.

"HSBC said that the scheme was thrust on them the day that the government announced it to the press and that they had no system for processing applications," Ms Bosanquet says. The bank also tried to halve Wrapology's overdraft to £50,000, she says. The former anthropologist, who runs Wrapology with her brother Tom, did not fare any better with Barclays, which refused her request for a letter of credit and said it could not extend any finance under the EFG because the scheme was "for refinancing, not working capital".

Ms Bosanquet, who is a board member of Enterprise Insight, a government-sponsored body that promotes entrepreneurship, says: "It

is very depressing because we are not looking for unfunded borrowing – we have confirmed orders." The company needs to pay for packaging orders made overseas before it can collect payments from its own customers, which include John Lewis, the department store, and Monsoon, the fashion retailer.

HSBC says it has kept Wrapology's overdraft at £100,000 and denies threatening to reduce it, "even though she has gone well over her overdraft limit". Barclays says it aims to lend "appropriately" and that it would be "irresponsible" to put up sums that clients might find hard to repay. Ms Bosanquet set up Wrapology in 2001. Last year it had a turnover of £1.4m and according to the entrepreneur will make a profit this year. She says: "There is no point the government fretting over economic policy if it cannot get money into the system."

1 Look through the whole article to find the names of:

- an employers' organisation.
- a woman entrepreneur.
- her firm.
- four of her clients.
- a government organisation to back loans to entrepreneurs.
- a bank.
- the entrepreneur's brother.
- a government-backed organisation to encourage entrepreneurship.

2 Read lines 1–21 and decide if these statements are true or false.

- The relationship between business and banks is compared to weather conditions.
- These conditions seem to be improving.
- The number of bankruptcies will fall in the next year, according to business leaders.
- Banks say that companies are unwilling to ask for loans.
- More companies than before say that the cost of finance has gone up.
- Fewer companies than before say that it's possible to borrow.

3 Complete these statements with appropriate forms of verbs and phrasal verbs from lines 22–48.

If ...

- you to do something, you find it difficult.
- you an order, you prepare and deliver it.
- you an organisation, you make contact with it.
- a request is, it is refused.
- a request is, it is refused.
- a task is given to you against your will, it is on you.
- an organisation an application, it deals with it.
- you well, badly, etc. in a particular situation, this is what happens to you in that situation.
- a bank makes loans to firms, it finance to them.

4 Look again at lines 22–48 to find finance-related expressions that mean:

- an agreement by a bank to give credit. (3 words)
- an arrangement by a government to pay back loans when the borrower cannot, contained in the name of an organisation. (3 words)
- when you take more money out of your bank account than you put in. (1 word)
- when you get loans to replace earlier loans. (1 word)
- the money needed to operate a business, for example to pay suppliers before you are paid by customers. (2 words)

5 Match what the people (a–e) might say (1–5), based on lines 49–77.

- | | | |
|-----------------------------|-------------------------------------|----------------------------|
| a) HSBC
spokesperson | b) Annika
Bosanquet | c) Monsoon
spokesperson |
| d) Barclays
spokesperson | e) UK
government
spokesperson | |

- 'I'm sad that we can't get finance. It's only because lenders don't really understand our situation.'
- 'It would be crazy to lend to businesses that can't repay.'
- 'We're doing everything we can to get banks to lend to businesses, whatever some entrepreneurs say.'
- 'We haven't reduced Ms Bosanquet's overdraft, whatever she says.'
- 'We've ordered goods from Wrapology, but we haven't paid for them yet.'

Over to you 1

What is the relationship between small businesses and banks in your country?

Over to you 2

Imagine you own a small business which is in need of finance. What are the advantages and disadvantages of a) raising money from banks, and b) asking family members to contribute? Compare and contrast the two approaches.

CROWDFUNDING

Before you read

Would you invest in a young company raising finance on the Internet? Why? / Why not?

Reading

Read this article from the *Financial Times* by Emma Jacobs and do the exercises that follow.

FT

LEVEL OF DIFFICULTY ●●○

Jumping into a funding model for the online age

Emma Jacobs

Earlier this year, Trampoline Systems, a London-based technology company founded in 2003, realised if they were going to further expand the business, they would need some more money. So they sounded out a few venture capitalists. But, says Charles Armstrong, one of the company's founders, "it soon became clear that it would be tough to raise finance this way". So Trampoline hit upon another route: "crowdfunding" – raising small stakes from a large group of investors, particularly through online communities and social networks.

The crowdfunding concept derives from "crowdsourcing", whereby organisations ask the public, usually via the Internet, to do jobs typically done by their employees. For example, The Guardian newspaper's website recently asked readers to trawl through 700,000 expense claims by British Members of Parliament to find acts of wrongdoing. Crowdsourcing and crowdfunding could, in theory, occur without the Internet, says Jeff Howe, the man who coined the term

"crowdsourcing" and wrote a book on the subject, but "it certainly helps to accelerate the process".

Trampoline was encouraged by the crowdfunding successes of the likes of SellaBand, a site which connects music fans with unsigned artists looking to record albums. Musicians post their profiles and songs, and ask the site's users to buy shares, at a minimum of \$10. As soon as an artist sells 5,000 shares, the proceeds are then split between the artist, SellaBand and the artist's supporters, or "believers", as the site calls them.

Trampoline's effort is unusual, however, because the company is already established – it employs 15 and raised £2m in seed capital from venture capitalists when it launched. But, says Mr Armstrong, with traditional venture capital funds battering down the hatches in the current downturn, it seemed like the best option.

Deloitte's Global Trends in Venture Capital report notes: "The second round of raising finance

where a business is still finding its legs ... carries more risk given higher burn rates and the current uncertainty around future financings. So, we're seeing reduced investment levels as firms either invest smaller sums in very early-stage companies or invest traditional sums in fewer and much later-stage companies. The middle ground has been largely vacated."

Trampoline hopes crowdfunding will avoid these obstacles and create new opportunities. "A typical venture capital funding would be half a dozen investors. I suspect there'll be about 60 or 70 investors," says Mr Armstrong. "The benefits of such a large investor network is that it will bring in new contacts and experience and will build a stronger support system." The investment stakes for Trampoline are much higher than SellaBand. It is asking investors to put in a minimum of £10,000 and they hope to raise £1m in total. They have not put a time limit on when they hope to achieve their target.

1 Choose the correct alternative to replace the expression in italics from lines 1–33 so as to keep the closest meaning.

- 1 ‘... they sounded out a few *venture capitalists*.’ (line 6)
a) listened to b) approached c) heard
- 2 ‘... “it soon became clear that it would be tough to raise finance this way”. ...’ (line 10)
a) easy b) straightforward c) difficult
- 3 ‘... So Trampoline hit upon another route: “crowdfunding”...’ (line 11)
a) discovered b) ignored c) founded
- 4 ‘... raising small stakes from a large group of investors, ...’ (line 13)
a) investments b) interest c) bonds
- 5 ‘... particularly through online communities and social networks.’ (line 16)
a) e-commerce sites b) email programmes
c) sites like Facebook
- 6 ‘... The crowdfunding concept derives from “crowdsourcing”, ...’ (line 18)
a) goes b) originates c) leaves
- 7 ‘... The Guardian newspaper’s website recently asked readers to trawl through 700,000 expense claims ...’ (line 24)
a) examine in detail b) fish through
c) quickly read
- 8 ‘... “it certainly helps to accelerate the process”.’ (line 33)
a) slow down b) simplify c) speed up

2 Use expressions from lines 34–57 to answer these questions.

- 1 Was Trampoline disappointed by the crowdfunding efforts of others? (line 34)
– No, it was by them.
- 2 Does SellaBand work with musicians who have not made commercial recordings? (line 37)
– Yes, it works with
- 3 Does SellaBand ask banks to invest in musicians on its site? (line 44)
– No, it asks the site’s users to buy shares, and they divide the between them, the site and the musicians.
- 4 Is Trampoline a start-up? (line 50)
– No, it’s already
- 5 How much did it raise when it was founded? (line 51)
– It raised of £2 million.
- 6 Are venture capital funds investing a lot at the moment? (line 55)
– No, they’re
- 7 Was the economy booming in 2009? (line 56)
– No, we were in a

3 Among the answers to Exercise 2, find an expression that ...

- a) contains a word that can also refer to painters.
- b) could also relate to ships.
- c) contains a word that comes from farming.
- d) is also possible as the third person singular of a verb.
- e) contains a word that means ‘bravery’.
- f) means the same as ‘recession’.
- g) means the same as ‘in existence’.

4 Combine words from the box below to make expressions from lines 58–71 that refer to the following:

- a) the second occasion on which companies look for finance, as it typically happens (3 words)
- b) used to describe the situation when companies use the money they have raised quickly (3 words)
- c) people not knowing at the moment what’s going to happen in the future (3 words)
- d) later occasions when firms will look for investment (2 words)
- e) the amounts of money typically put into businesses (2 words)
- f) firms that were founded longer ago than recent start-ups (3 words)
- g) firms that are neither very new nor mature in their development (2 words)

burn	classic	uncertainty	companies
second	current	financings	later-stage
rates	higher	round	ground
middle	investment	future	levels

5 What is the main point in lines 72–89? Choose the best alternative.

- a) Trampoline hopes to go into the music business by copying SellaBand’s model and getting a larger investor network.
- b) By using crowdfunding, Trampoline hopes to get more investors than is usual, forming a stronger base for the company’s development.
- c) Time is not important for Trampoline and it is willing to wait several years before getting the necessary investment to grow.

Over to you 1

Go back to the answer you gave in ‘Before you read’. Have you changed your mind after reading the article? Why? / Why not?

Over to you 2

What types of business would be particularly suited to crowdfunding? Give your reasons.